



Report on the State of Our Union

The Middle Class



Senate Democratic Communications Center
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In his previous State of the Union addresses, President Bush promised to make choices that would benefit America's middle class. Unfortunately, year after year, American families have found themselves squeezed by skyrocketing costs and declining incomes as Republicans spent hundreds of billions of dollars on budget-busting tax breaks and other handouts for wealthy special interests. This year, Democrats call on President Bush to work with us to set a new course for American families by lowering prescription drug costs, raising the minimum wage, making college affordable for all, reducing energy costs, and restoring fiscal discipline to Washington.

Broken State of the Union Promises

2006: President Bush Promised to Cut the Deficit in Half. "We will save the American taxpayer another \$14 billion next year, and stay on track to cut the deficit in half by 2009." [[State of the Union, 2006](#)]

- **But Record Budget Deficits Pile More Debt onto American Families.** President Bush inherited a unified budget surplus of \$236 billion from President Clinton, the largest surplus in American history. Budget surpluses were expected to continue for another ten years when President Bush took office in January 2001. By 2002, however, the unified federal budget had returned to a deficit of \$158 billion and the deficit reached record high levels in subsequent years. (President Bush's Budget for Fiscal Year 2002, *A Blueprint for New Beginnings*, 2/28/01; Congressional Budget Office) In order to finance these deficits, President Bush has asked Congress to increase the statutory debt limit four years in a row, resulting in the largest explosion of debt in our nation's history. The gross federal debt has increased from \$5.8 trillion in 2001 to \$8.6 trillion in 2006, and is projected to increase to \$11.6 trillion in 2011. Much of our debt is being financed by foreign governments such as China and Japan, placing our economic security in jeopardy. Since 2000, foreign-held debt has more than doubled. (U.S. Treasury Department, Bureau of Public Debt; Congressional Budget Office)
- **And Record Federal Deficits and Debt Create Record Interest Costs for Americans.** In 2006, interest costs on the federal debt will total \$404 billion and this figure will grow to \$612 billion by 2013. (Congressional Budget Office, 8/06) "Flat wages and rising debt nationally have converged to leave millions of middle-class households feeling acutely vulnerable to bumps in their financial planning...According to a study by the Federal Reserve Board, the ratio of financial obligations -- primarily mortgage and consumer debt -- to disposable personal income rose to a modern record of 18.7 percent earlier this year." (*Washington Post*, 9/5/06)

2005: President Bush Said He Would Help Make College Affordable by Increasing the Size of Pell Grants. “We’ll make it easier for Americans to afford a college education, by increasing the size of Pell Grants.” [[State of the Union, 2005](#)]

- **But College Education Costs Have Risen By As Much as 52 Percent, and Pell Grant Funding Has Not Been Increased.** Average tuition, fees, room, and board costs at four-year private universities have increased by \$8,127 from \$22,240 in the 2000-2001 academic year to \$30,367 in the 2006-2007 academic year. Tuition, fees, room, and board charges at four-year public colleges grew more rapidly between 2000-2001 and 2005-2006, after adjusting for inflation, than during any other five-year period since 1975. Total costs jumped from \$8,439 in 2000-2001 to \$12,796 in 2006-2007—an increase of \$4,357, or 52 percent. (College Board, 10/06) The cost of a college education is rising faster than family income, but key federal tuition assistance programs such as the Pell Grant program have failed to keep pace with the rising cost of college. While the maximum Pell Grant covered 51 percent of the cost of tuition, fees, room and board at a public four-year college during the 1986-1987 school year, it covered only 35 percent of those costs in 2004-2005. (Analysis of Department of Education data)

2004: President Bush Said Our Economy Runs on Energy. “Consumers and businesses need reliable supplies of energy to make our economy run.” [[State of the Union, 2004](#)]

- **But Gas Prices Have Increased 70 Percent, Crippling Consumers.** Prices at the gas pump jumped 70 percent from \$1.47 per gallon the week President Bush took office in January 2001 to \$2.31 today. The price for a barrel of oil has more than doubled during the Bush Administration from \$30.63 in January 2001 to \$61.96 in December 2006. (Energy Information Administration, *Weekly Retail Gasoline and Diesel Prices*, 1/8/07; Spot Prices for Crude Oil, 12/06) The average household with children will spend about \$2,949 on transportation fuel costs this year, an increase of 94 percent or \$1,429 over 2001 costs. (Energy Information Administration, *Household Vehicle Energy Use: Latest Data and Trends; Short Term Energy Outlook*, 1/9/07)

2003: President Bush Spoke of Providing All Americans with Affordable Health Care. “We must work toward a system in which all Americans have a good insurance policy, choose their own doctors, and seniors and low-income Americans receive the help they need.” [[State of the Union, 2003](#)]

- **But Health Care Premiums Have Increased by Over 80 Percent.** The cost of family health insurance has skyrocketed 81 percent since 2000. Premiums are rising twice as fast as wages and inflation. The typical family health insurance premium is now \$11,480 a year compared with \$6,348 in 2000. (Kaiser Family Foundation and Health Research and Educational Trust, 9/06) The number of

Americans without health insurance rose to a record high in 2005. The number of uninsured Americans has increased every year since President Bush took office from 39.8 million in 2000 to 46.6 million in 2005. (U.S. Census Bureau, 8/29/06)

2003: President Bush Said He Wanted to Keep Spending in Check and Americans Out of Debt. “Federal spending should not rise any faster than the paychecks of American families.” [[State of the Union, 2003](#)]

- **But While Prices and Spending Climbed, Middle Class Incomes Declined.** Family incomes are not keeping up with the rising costs of living. Median household income has declined \$1,273 from \$47,599 in 2000 to \$46,326 in 2005. The real median earnings of both male and female full-time, full-year workers declined between 2004 and 2005 by 1.8 percent and 1.3 percent, respectively. (U.S. Census Bureau, 8/29/06) Real median weekly earnings have fallen 0.9 percent since 2000 compared with 7.3 percent growth in the last five years of the Clinton Administration. (Joint Economic Committee Democrats, 1/07)
- **Even as Productivity Increased.** At the same time that families have seen their real earnings decline, the productivity of the American worker is up 17.5 percent. Therefore, Americans have worked harder -- and more productively -- over the past six years and received none of the benefits of their hard work. (Bureau of Labor Statistics; Joint Economic Committee Democrats, 1/07) According to the *Wall Street Journal*, “Since the end of the recession of 2001, a lot of the growth in GDP per person -- that is, productivity -- has gone to profits, not wages.” (*Wall Street Journal*, 3/27/06)

2002: President Bush Kept it Simple: Jobs. “When America works, America prospers, so my economic security plan can be summed up in one word: jobs.” [[State of the Union, 2002](#)]

- **But President Bush Has the Worst Job Creation Record Since the Hoover Administration.** A growing economy should be good news for those seeking jobs. But over the course of President Bush’s six years in office, his Administration has the worst overall job creation record since Herbert Hoover more than 70 years ago. (Bureau of Labor Statistics, 1/5/07) Overall non-farm payroll employment has increased by 3.7 million during the Bush presidency compared with 22.7 million during the Clinton presidency. Non-farm employment growth has averaged just 53,000 per month under President Bush—much lower than the approximately 150,000 jobs needed each month to keep up with population growth. It was not uncommon to see monthly job gains of 300,000 and even 400,000 during economic expansions under previous Administrations. (Bureau of Labor Statistics, 1/5/07; Joint Economic Committee Democrats, 1/07; Economic Policy Institute, *The Boom That Wasn’t*, 12/19/05)

- **And the Pace of Private Sector Job Creation is Slow.** Private sector job creation has been especially poor during the Bush presidency, with an average annual job growth rate of just 0.4 percent per year since 2001. Just 2.5 million private sector jobs have been created during the Bush presidency, compared with over 20 million private sector jobs during the Clinton presidency. (Bureau of Labor Statistics, 1/5/07; Joint Economic Committee Democrats, 1/07) The manufacturing sector, often the source of jobs with good pay and benefits, has lost 3 million jobs since the start of the Bush Administration. (Bureau of Labor Statistics, 1/5/07) Nearly half of the jobs created since 2001 were part-time and freelance positions without benefits. (*Los Angeles Times*, 7/24/06) This slow pace of private sector job creation is particularly troubling given that we are so far into the economic recovery.

2001: President Bush Said He Wanted to Use Taxes to Restore Fairness. “For lower-income families, my tax plan restores basic fairness. Right now, complicated tax rules punish hard work.” [[State of the Union, 2001](#)]

- **But Bush’s Deficit-Financed Tax Breaks Have Widened the Income Gap Between Multimillionaires and Middle-Class Workers.** President Bush’s capital gains and dividends tax breaks will cost \$197 billion over ten years, with most of the benefits going to multimillionaires. In an analysis by the *New York Times*, “Among taxpayers with incomes greater than \$10 million, the amount by which their investment tax bill was reduced averaged about \$500,000 in 2003, and total tax savings, which included the two Bush tax cuts on compensation, nearly doubled, to slightly more than \$1 million... Those making less than \$50,000 saved an average of \$10 more because of the investment tax cuts...few taxpayers with modest incomes benefited because most of them who own stocks held them in retirement accounts, which are not eligible for the investment income tax cuts.” (*New York Times*, 4/5/06) The *Wall Street Journal* has attributed the widening income gap to President Bush’s tax policies: “it appears that the highest-salaried workers -- executives, managers and professionals -- are widening their lead on the typical worker...The Bush tax cuts appear to have widened the income gap, according to many analyses.” (*Wall Street Journal*, 3/27/06)

IN THIS YEAR’S STATE OF THE UNION ADDRESS, PRESIDENT BUSH SHOULD JOIN DEMOCRATS IN HELPING MIDDLE CLASS FAMILIES

Democrats will make college more affordable and accessible.

- **Democrats Will Expand Pell Grants.** Democrats recognize that Pell Grants have not kept pace with the rising cost of college and will raise the maximum Pell Grant award to \$5,100.

- **Democrats Will Cut Student Loan Costs and Make Payments More Manageable.** Democrats recognize that graduates are struggling with increasing student loan debt, and will work to make student loan payments more manageable.
- **Democrats Will Provide a Permanent Tax Deduction for College Tuition.** Democrats recognize that tax deductions are essential in financing a college education, and will expand tax breaks for college tuition and make them permanent.

Democrats will ensure fair prices for Medicare prescription drugs and improve the drug benefit for beneficiaries. When it comes to the Medicare prescription program, Democrats will put seniors, people with disabilities, and taxpayers first. Democrats will revisit the current-law prohibition on drug price negotiations in order to explore all tools available to ensure that all people with Medicare have access to the fairest prices for their medicines.

Democrats will work to provide Americans with more sustainable and affordable sources of energy. Democrats will work to pass legislation that will enhance America's security by reducing the nation's dependence on foreign and unsustainable energy sources and the risks of global warming by requiring reductions in greenhouse gas emissions, by diversifying and expanding our use of secure, efficient, and environmentally friendly energy supplies and technologies, by repealing tax giveaways to big energy companies, by reducing the burdens on consumers of rising energy prices, and by preventing energy price gouging, profiteering and market manipulation.

Democrats will raise the minimum wage. Democrats will raise the federal minimum wage from \$5.15/hour to \$7.25/hour, benefiting millions of hard working Americans and their families. The Fair Minimum Wage Act of 2007 would raise the minimum wage to \$7.25 an hour in three steps:

- \$5.85 60 days after enactment;
- \$6.55 one year later;
- \$7.25 one year after that.

Democrats will restore fiscal responsibility to Washington. Democrats will reinstate the strong pay-as-you-go (PAYGO) budget rules that proved to be highly effective in promoting fiscal discipline and producing record surpluses in the 1990s. Democrats will also end the misuse of the fast track procedures of budget reconciliation and require that reconciliation be used to make deficits smaller instead of larger.